

mail address. FX is not registered and has never been registered with the Division as a broker-dealer pursuant to S.C. Code Ann. § 35-1-401.

3. Greg held himself out as the Chief Executive Officer of FX, as evidenced by his correspondence with a South Carolina resident (the “Victim”) via Google Hangouts, a cross-platform messaging application developed and operated by Google, LLC. Greg is not currently registered and has never been registered with the Division as a broker-dealer agent pursuant to S.C. Code Ann. § 35-1-402.

4. Patrick held herself out as a professional trader employed by FX and effected or attempted to effect purchases or sales of securities for FX for commission based compensation. Patrick communicated through Instagram, a social networking service owned and operated by Facebook, Inc., and WhatsApp, a cross-platform messaging and voice over internet protocol application owned by Facebook, Inc. Patrick is not currently registered and has never been registered with the Division as a broker-dealer agent pursuant to S.C. Code Ann. § 35-1-402.

5. At all times material herein, the Respondents continuously offered investment opportunities to South Carolina residents through the Website and other social media platforms like Instagram.

IV. FINDINGS OF FACT

A. South Carolina Victim

6. On or about July 13, 2020, Patrick contacted the Victim through Instagram and claimed to be a representative of FX. Specifically, Patrick informed the Victim that she was a professional trader with FX and encouraged the Victim to visit the Website. Patrick represented to the Victim that she could successfully trade on the Victim’s behalf and obtain substantial returns

on the Victim's investment for a ten percent (10.00%) commission if the Victim were to create an account and deposit funds via the Website.

7. Patrick informed the Victim that once an account had been created the Victim would need to purchase the cryptocurrency, Bitcoin, and then deposit the Bitcoin into FX's digital wallet address (the "FX Wallet").¹

8. Once the Bitcoin was deposited into the FX Wallet, FX represented that it would allocate the funds to the Victim's account, making them available for investment.

9. As directed, the Victim established an account with FX (the "Victim's Account") and deposited an initial amount of Bitcoin valued at five hundred dollars (\$500.00) through the FX Wallet to be traded in binary options on the Victim's behalf.

i. Specific Misrepresentations – Patricia Patrick

10. After the Victim's Account had been established and funds were deposited through the FX Wallet, the Victim asked Patrick whether the Victim's return on investment was guaranteed. Patrick responded that the Victim's return through trading in binary options was "100% guaranteed" and that "everyone enjoy[s] binary trading because it's legit and 100% guarantee[d]." In another message via WhatsApp, Patrick stated that the "[Victim's] money is safe and secured."

11. On or about July 22, 2020, Patrick communicated with the Victim via WhatsApp representing that the Victim had already earned a profit of four thousand seven hundred dollars (\$4,700.00). Patrick told the Victim that with an additional investment of five hundred dollars (\$500.00), the Victim could earn an additional four thousand seven hundred dollars (\$4,700.00),

¹ A digital wallet address is a long string of numbers and letters linked to a website that stores cryptocurrency in an "e-wallet" or digital wallet.

and a bonus of six hundred dollars (\$600.00) for a total profit of ten thousand dollars (\$10,000.00) within seven days of investing.

12. Relying on Patrick's representations, the Victim deposited additional Bitcoin valued at two thousand dollars (\$2,000.00) into the FX Wallet with the expectation that FX would trade those funds on the Victim's behalf.

13. Patrick stated through WhatsApp communications with the Victim that "[o]f course you do have access to withdraw your money...Once your details is[sic] received you will be credited within 30 mins."

ii. Advanced Fee Scheme

14. On or about July 30, 2020, after seeing the account balance at sixty thousand dollars (\$60,000.00), the Victim attempted to withdraw fifty thousand five hundred and fifty dollars (\$50,550.00) from the Victim's Account. Following the attempted withdrawal, the Victim received an email from "support@fxtraderstock.com" stating, in part:

Subject: UPGRADE

It has come to our notice that your investment account has not yet been upgraded to complete the transaction which led to withdrawal dispatched. Ask your trader to request for your account upgrade to enable us make an easy transaction directly to you via the information you provided...

Transaction details:

Amount - \$50,550

Sending Fee: \$1200

Upgrade fee: \$6000

15. Thereafter, on or about July 30, 2020, FX sent another email to the Victim stating, in part:

Subject: Re: UPGRADE

Dear esteemed user

We want to inform you, when you have the money by Wednesday using it to buy bitcoins worth the payment fee and contact your account manager for proper guidance.

Note: immediately you make your payment fee, your profits will be able to reflect in receiving method.

16. On or about August 10, 2020, the Victim paid the twelve hundred dollars (\$1,200.00) “sending fee,” and the six thousand dollars (\$6,000.00) “upgrade fee” as requested, in order to withdraw the balance of the Victim’s account with FX. The Victim paid the fees in Bitcoin deposited into the FX Wallet.

17. On or about August 10, 2020, the Victim received another email from FX requesting the Victim pay a “verification fee” of two thousand five hundred and eighty-three dollars (\$2,583.00). The email also stated “this one time [sic] payment ... all your profits will be available to withdraw successfully.”

18. On or about August 10, 2020, the Victim paid the two thousand five hundred and eighty-three dollars (\$2,583.00) “verification fee” as requested in order to withdraw the balance in the Victim’s Account. The Victim paid the fee in Bitcoin deposited into the FX Wallet.

19. On or about August 14, 2020, the Victim received the following email from FX stating, in part:

Subject: Cost of Transfer (COT)

Dear Customer.

Your Fund transfer have being completed your withdrawal is in progress and your funds are available for withdrawal awaiting a COT (cost of transfer) payment of \$783 which should be paid to the company wallet address and receive your complete payment directly to your preferred payment method address...

20. On or about August 16, 2020, the Victim received another email from FX reiterating that the “cost of transfer” fee was a one-time payment that would allow the Victim to withdraw the balance of the Victim’s Account.

21. Ultimately, on or about August 16, 2020, the Victim paid the seven hundred eighty-three dollars (\$783.00) “cost of transfer” fee as requested in order to withdraw the balance of the Victim’s Account. The Victim paid the fee in Bitcoin deposited into the FX Wallet.

22. On or about August 16, 2020, the Victim became concerned about the inability to withdraw any of the invested funds from the Victim’s Account with FX and communicated this concern to Patrick. Patrick informed the Victim that Greg, FX’s Chief Executive Officer, would soon contact the Victim to discuss the Victim’s request for withdrawal.

23. Thereafter, Greg contacted the Victim through Google Hangouts to congratulate the Victim on achieving an account balance of sixty thousand dollars (\$60,000.00). Greg then asked the Victim to join FX as a “trader.” Greg represented that he would provide the Victim with an additional twenty thousand dollars (\$20,000.00) in Victim’s Account in exchange for the Victim’s agreement to become a trader. Greg then provided the Victim with a screenshot of Victim’s Account showing an eighty thousand dollar (\$80,000.00) balance.

24. After enticing the Victim with the possibility of obtaining an additional twenty thousand dollars (\$20,000.00), Greg told the Victim that the Victim was required to purchase a “verification key” for seventy-five hundred dollars (\$7,500.00). The verification key could be purchased by depositing seventy-five hundred dollars (\$7,500.00) worth of Bitcoin into a third-party individual’s Bitcoin digital wallet address (the “Third-party Wallet”), which was different from the FX Wallet.

25. On or about August 29, 2020, the Victim paid one thousand dollars (\$1,000.00) worth of Bitcoin to the Third-party Wallet. The third-party individual’s identifying information claimed the third-party was a “Bitcoin and private key seller.”

26. Subsequently, Greg contacted the Victim. Greg claimed that the third-party individual never received the payment, and the third-party individual “mistakenly” provided an incorrect digital wallet address. Greg claimed that in order to remedy the error, the Victim needed to deposit the same amount of Bitcoin into Greg’s Bitcoin wallet address (“Greg’s Wallet”). Greg stated that once he received the Victim’s payment, Greg would purchase the verification key and send the money to the Victim immediately.

27. On or about August 30, 2020, the Victim paid one thousand three hundred twenty-five dollars (\$1,325.00) to Greg’s Wallet to be applied towards the seven thousand five hundred dollars (\$7,500.00) “verification key.”

28. On or about September 3, 2020, Greg messaged the Victim claiming, “We are upgrading the company platform that [sic] why we are having all this [sic] problem. I understand what you [sic] going though [sic] just trust me one more time.”

29. While the Respondents’ repeatedly promised to honor the Victim’s withdrawal requests, the Victim has, to date, been unable to withdraw any of his invested funds, or the purported return on his investment.

30. Through the Victim’s numerous interactions with the Respondents, the Victim deposited at least fifteen thousand three hundred and ninety-one dollars (\$15,391.00) in at least eight (8) separate transactions.

31. Respondents’ actions operated as an “advanced fee scheme” by continuously requesting the Victim to provide funds to satisfy fraudulently established fees in order to withdraw the Victim’s principal investment, and the falsified profits supposedly derived from the investment.

B. General Misrepresentations

32. On its Website, FX makes the following representations²:
- a. FX offers “easy access to [f]orex, stock market and [b]inary options trading” where “[FX] provide[s] [an]automated trading system where all accounts are connected to [FX’s] trading system for maximum profits.”
 - b. “[FX] pay[s] out as much as 1000% profit on your deposit and you have nothing to loose [sic]” and that the “[FX’s] dedicated team will trade and credit your accounts.”
 - c. FX offers a referral program where FX will “payout 10% on each referral you bring.”
 - d. “Fx Trader Stock is the most trusted trading platform. They are legit and paying.”

33. Each FX representation is an untrue statement of material fact used to mislead investors in order to entice investors to establish accounts and deposit Bitcoin through the FX Wallet for the sole benefit of the Respondents.

34. In regards to the Victim, the Respondents made numerous false and misleading statements and omissions, including but not limited to, the following:

- a. Omitting to state that FX was not registered with the Division as a broker-dealer;
- b. Omitting to state that Patrick was not registered with the Division as a broker-dealer agent;

² FX Trader Stock, <https://www.fxtraderstock.com>. Accessed 26 Aug. 2020.

- c. Omitting to state that Greg was not registered with the Division as a broker-dealer agent; and
- d. Repeatedly promising to honor the Victim's withdrawal requests after the payment of additional undisclosed fees, while never actually permitting the Victim to withdraw any funds from the Victim's Account.

35. The Respondents' intentional use of social media messaging applications and the support@fxtraderstock.com email address furthered the Respondents' fraud by concealing the Respondents' true identities. The Respondents omitted to state material facts necessary in order to disclose the Respondents' actual identities.

V. CONCLUSIONS OF LAW

36. Options and stocks, *inter alia*, constitute securities pursuant to S.C. Code Ann. §35-1-102(29).

37. The Binary Options offered and sold by the Respondents constitute options, and therefore, they are securities as defined by the Act.

38. FX acted as a broker-dealer in connection with the offer and sale of securities in South Carolina, as defined by S.C. Code Ann. § 35-1-102(4).

39. FX was not registered as a broker-dealer with the Division or exempt from such registration in violation of S.C. Code Ann. § 35-1-401(a).

40. Patrick acted as an agent in connection with the offer and sale of securities in South Carolina, as defined by S.C. Code Ann. § 35-1-102(2).

41. Patrick was not registered as an agent with the Division or exempt from such registration in violation of S.C. Code Ann. § 35-1-402(a).

42. Greg acted as an agent in connection with the offer and sale of securities in South Carolina, as defined by S.C. Code Ann. § 35-1-102(2).

43. Greg was not registered as an agent with the Division or exempt from such registration in violation of S.C. Code Ann. § 35-1-402(a).

44. In violation of S.C. Code Ann. § 35-1-501, the Respondents, in connection with the offer, sale, or purchase of a security, directly or indirectly, in this State: (1) employed a device, scheme, or artifice to defraud; (2) made untrue statements of material fact or omitted to state material facts necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading; and (3) engaged in an act, practice, or course of business that operated or would operate as a fraud or deceit upon another person.

45. The Respondents' actions constitute at least thirty-one (31) distinct violations of the Act.

46. The Respondents' violations of the Act set forth above provide the basis for this Order, pursuant to S.C. Code Ann. § 35-1-604(a)(1).

47. This Order is appropriate and in the public interest, pursuant to the Act.

VI. ORDER

NOW THEREFORE, pursuant to S.C. Code Ann. § 35-1-604(a)(1), it is hereby **ORDERED** that:

- a. Each Respondent and every successor, affiliate, control person, agent, servant, and employee of each of the Respondents, and every entity owned, operated, or indirectly or directly controlled by or on behalf of each of the Respondents shall

CEASE AND DESIST from transacting business in this State in violation of the Act; and

- b. The Respondents shall jointly and severally pay a civil penalty in the amount of two hundred thousand dollars (\$200,000.00) if this Order becomes effective by operation of law, or, if a Respondent seeks a hearing and any legal authority resolves this matter, pay a civil penalty in an amount not to exceed ten thousand dollars (\$10,000.00) for each violation of the Act by the Respondent(s) and the actual cost of the investigation or proceeding.

IT IS FURTHER ORDERED that, pursuant to S.C. Code Ann. § 35-1-604(a)(2) and (3), any exemption from registration with the Division that the Respondents may claim to rely upon under the Act, has been and is **PERMANENTLY REVOKED**.

VII. NOTICE OF OPPORTUNITY FOR HEARING

Each of the Respondents is hereby notified that she/he/it has the right to a formal hearing on the matters contained herein. To schedule a hearing, a Respondent must file with the Division within thirty (30) days after the date of service of this Order, a written Answer specifically requesting a hearing. If any Respondent requests a hearing, the Division, within fifteen (15) days after receipt of a written request, will schedule the hearing for that Respondent. The written request shall be delivered to the Office of the Attorney General, 1000 Assembly Street, Columbia, South Carolina 29201, or mailed to the Office of the Attorney General, Attention: Securities Division, P.O. Box 11549, Columbia, South Carolina 29211-1549.

In the written Answer, a Respondent, in addition to requesting a hearing, shall admit or deny each factual allegation in this Order, shall set forth specific facts on which the Respondent

relies, and shall set forth concisely the matters of law and affirmative defenses upon which the Respondent relies. If the Respondent is without knowledge or information sufficient to form a belief as to the truth of an allegation, the Respondent shall so state.

Failure by a Respondent to file a written request for a hearing in this matter within the thirty-day (30) period stated above shall be deemed a waiver by that Respondent of the right to such a hearing. Failure by a Respondent to file an Answer, including a request for a hearing, shall result in this Order's becoming final by operation of law. The regulations governing the hearing process can be found at S.C. Code of Regulations §13-604.

This Order does not prevent the Division or any law enforcement agency from seeking additional civil or criminal remedies as are available under the Act, including remedies related to the offers and sales of securities by the Respondents set forth above.

ENTERED, this the 8 day of January, 2021.

ALAN WILSON
SECURITIES COMMISSIONER

By: 
Jonathan B. Williams
Assistant Deputy Attorney General